

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>Kalkaska County</b>	County <b>Kalkaska</b>
Fiscal Year End <b>12/31/05</b>	Opinion Date <b>04/05/06</b>	Date Audit Report Submitted to State <b>6/28/06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

- ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Harris Group, CPAs</b>		Telephone Number <b>231-946-8930</b>		
Street Address <b>1107 E. 8TH STREET</b>		City <b>Traverse City</b>	State <b>MI</b>	Zip <b>49686</b>
Authorizing CPA Signature		Printed Name <b>Ronald G Harris, CPA</b>		License Number <b>1101024798</b>

**KALKASKA COUNTY**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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## **FINANCIAL SECTION**



## **Independent Auditor's Report**

Honorable Chairman and Members  
of the Board of Commissioners  
Kalkaska County  
Kalkaska, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of Kalkaska County, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Kalkaska County, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Kalkaska County, as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Kalkaska County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kalkaska County  
Independent Auditor's Report

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska County's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants  
April 5, 2006

This section of Kalkaska County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2005 and 2004.

### **Financial Highlights**

The assets of Kalkaska County exceed its liabilities at the close of fiscal year 2005, by \$9,358,655. Of this amount \$4,771,112 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2005, the County's governmental funds reported combined ending fund balances of \$6,784,169.
- At December 31, 2005, unreserved fund balance for the General Fund was \$8,106 or .13% of General Fund expenditures.
- Governmental fund revenues were \$10,397,385.
- Total long-term debt in the Governmental Activities was \$-0- at December 31, 2005.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include delinquent property tax collection and Sportsplex.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission unit for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

**FUND FINANCIAL STATEMENTS.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**GOVERNMENTAL FUNDS.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, considered to be the major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the County's major fund.

The basic governmental fund financial statements can be found on page 12-14 of this report.

**PROPRIETARY FUNDS.** The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent taxes and the sportsplex.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

**FIDUCIARY FUNDS.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

**NOTES TO THE FINANCIAL STATEMENT.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.



**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

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**OTHER INFORMATION.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statement. Combining statements and schedules can be found on pages 43-54 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalkaska County, assets exceeded liabilities by \$9,358,655 as of December 31, 2005, compared with \$8,520,629 for the year ended December 31, 2004. A large portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets increased by \$838,026 during the year.

**KALKASKA COUNTY**  
**NET ASSETS**  
**DECEMBER 31, 2005 AND 2004**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,383,429	\$ 3,220,270	\$ 11,603,699	\$ 8,151,918	\$ 3,306,580	\$ 11,458,498
Capital assets	3,794,256	5,827,310	9,621,566	3,875,928	5,953,945	9,829,873
Total assets	<u>\$ 12,177,685</u>	<u>\$ 9,047,580</u>	<u>\$ 21,225,265</u>	<u>\$ 12,027,846</u>	<u>\$ 9,260,525</u>	<u>\$ 21,288,371</u>
Long-term liabilities outstanding	\$ 165,584	\$ 5,275,000	\$ 5,440,584	\$ 119,207	\$ 5,450,000	\$ 5,569,207
Other liabilities	5,227,932	1,198,094	6,426,026	6,125,234	1,073,301	7,198,535
Total liabilities	<u>5,393,516</u>	<u>6,473,094</u>	<u>11,866,610</u>	<u>6,244,441</u>	<u>6,523,301</u>	<u>12,767,742</u>
Net assets:						
Invested in capital assets, net of related debt	3,794,256	377,310	4,171,566	3,875,928	353,945	4,229,873
Restricted	415,977		415,977	282,520		282,520
Unrestricted	<u>2,573,936</u>	<u>2,197,176</u>	<u>4,771,112</u>	<u>1,624,957</u>	<u>2,383,279</u>	<u>4,008,236</u>
Total net assets	<u>6,784,169</u>	<u>2,574,486</u>	<u>9,358,655</u>	<u>5,783,405</u>	<u>2,737,224</u>	<u>8,520,629</u>
Total liabilities and net assets	<u>\$ 12,177,685</u>	<u>\$ 9,047,580</u>	<u>\$ 21,225,265</u>	<u>\$ 12,027,846</u>	<u>\$ 9,260,525</u>	<u>\$ 21,288,371</u>

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

**KALKASKA COUNTY**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,432,466	\$ 625,035	\$ 3,057,501	\$ 2,413,674	\$ 758,486	\$ 3,172,160
Operating grants and contributions	2,050,684		2,050,684	1,829,608		1,829,608
Capital grants and contributions	8,244		8,244	49,018		49,018
General revenues:						
Property taxes	5,111,479	443,162	5,554,641	4,565,050	398,399	4,963,449
Other	792,856	50,699	843,555	673,210	75,954	749,164
Total revenues	10,395,729	1,118,896	11,514,625	9,530,560	1,232,839	10,763,399
Expenses:						
Governmental activities:						
Legislative	116,409		116,409	177,308		177,308
Judicial	1,283,570		1,283,570	1,221,454		1,221,454
General government	1,943,912		1,943,912	1,905,766		1,905,766
Public safety	3,586,993		3,586,993	3,457,977		3,457,977
Public works	104,683		104,683	94,961		94,961
Health and welfare	1,764,904		1,764,904	1,662,543		1,662,543
Recreation and culture	323,037	934,900	1,257,937	275,170	979,426	1,254,596
Other	534,957		534,957	235,009		235,009
Delinquent property tax		83,234	83,234		80,292	80,292
Total expenses	9,658,465	1,018,134	10,676,599	9,030,188	1,059,718	10,089,906
Increase in net assets before transfers	737,264	100,762	838,026	500,372	173,121	673,493
Transfers in (out)	263,500	(263,500)		435,378	(435,378)	
Increase (decrease) in net assets	1,000,764	(162,738)	838,026	935,750	(262,257)	673,493
Net assets, beginning	5,783,405	2,737,224	8,520,629	4,847,655	2,999,481	7,847,136
Net assets, ending	\$ 6,784,169	\$ 2,574,486	\$ 9,358,655	\$ 5,783,405	\$ 2,737,224	\$ 8,520,629

The primary reason for the increase in net assets was the change in funding for state revenue sharing as directed by the State of Michigan. The County recorded \$1,122,838 of additional tax revenue in 2005 to fund the revenue sharing reserve fund. The County is shifting its tax collection to summer from winter over the next two years. This shift created an increase in net assets of \$850,353.

## Financial Analysis of the Government's Funds

As noted earlier, Kalkaska County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

**Government funds.** The focus of Kalkaska County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kalkaska County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, Kalkaska County's governmental funds reported combined ending balances of \$3,155,497. Approximately 86% of this total constitutes unreserved fund balance, which is available for spending at Kalkaska County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Kalkaska County. As of December 31, 2005, unreserved fund balance of the general fund was \$8,106.

The fund balance of Kalkaska County's general fund decreased by \$10,890 during the current fiscal year.

**Proprietary funds.** Kalkaska County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2005 were \$2,574,486. With a majority of the net assets in the Tax Payment Fund of \$2,467,401.

## General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget of the major funds can be briefly summarized as follows:

### Revenue:

District Court Ordinance fees was increased by	\$15,085
District Court Probation fees was increased by	\$15,250
Survey & Remonumentation was increased by	\$40,948
Sheriff Prisoner Board (Other Counties) was increased by	\$32,014
Liability Insurance reimbursement was increased by	\$35,418
Transfer in from Other Funds was increased by	\$141,919

### Expense:

Survey & Remonumentation Cost was increased by	\$42,948
Sheriff Fleet Cost was increased by	\$29,896
Rebate Personal Property Tax was increased by	\$27,269
Transfer to Child Care was increased by	\$50,240
State Ward Chargeback was increased by	\$13,751
Transfer Out to Other Funds was increased by	\$141,919

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

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**Capital Asset and Debt Administration**

**Capital assets.** Kalkaska County's investment in capital assets for its governmental and business type activities as of December 31, 2005, amount to \$9,621,567 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

1.	Police Vehicles	\$51,612
2.	Video Recording System	\$47,090
3.	Radio System	\$42,116
4.	Paving Parking Lot	\$40,396

**KALKASKA COUNTY**  
**CAPITAL ASSETS (net of accumulated depreciation)**  
**DECEMBER 31, 2005**

	Governmental Activities	Business-type Activities	Total
Land	\$ 281,327	\$	\$ 281,327
Buildings	2,656,648	5,778,115	8,434,763
Land Improvements	129,951		129,951
Machinery and equipment	726,330	49,196	775,526
	<u>\$ 3,794,256</u>	<u>\$ 5,827,311</u>	<u>\$ 9,621,567</u>

**Long-term debt.** At December 31, 2005, Kalkaska County had total bonded debt outstanding of \$5,450,000.

**KALKASKA COUNTY**  
**OUTSTANDING DEBT**  
**DECEMBER 31, 2005**

	Governmental Activities	Business-type Activities	Total
General obligation	<u>\$ -</u>	<u>\$ 5,450,000</u>	<u>\$ 5,450,000</u>

Kalkaska County's total debt decreased by \$150,000 during the year ended December 31, 2005.

**Economic Factors and Next Years Budgets and Rates**

- Taxable value of property taxes increased in 2006 but at a slower growth rate.
- The increase in the cost of energy: heating, electric and gasoline
- The increase in the cost of fringe benefits: health insurance and retirement costs
- The County anticipates the slow economic growth to continue into 2006.

All of these factors were considered in preparing Kalkaska County's budget for the 2006 fiscal year.

**Request for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be referred to the Kalkaska County Controller, 605 N Birch Street, Kalkaska, MI 49646.

**KALKASKA COUNTY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 2,197,545	\$ 1,250,252	\$ 3,447,797
Receivables:			
Taxes	4,155,497	1,386,638	5,542,135
Accounts	896,652	2,120	898,772
Interest	17,388	-	17,388
Due from State	198,326	-	198,326
Due from other government units	163,475	-	163,475
Due from other funds	578,642	578,642	1,157,284
Inventories	-	1,816	1,816
Prepaid expenses	175,904	802	176,706
Capital assets ( net of accumulated depreciation)			
Land	281,327	-	281,327
Other capital assets	3,512,929	5,827,310	9,340,239
<b>TOTAL ASSETS</b>	<b>\$ 12,177,685</b>	<b>\$ 9,047,580</b>	<b>\$ 21,225,265</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 226,216	\$ 78,174	\$ 304,390
Checks written in excess of deposits	53,283	-	53,283
Current portion of bonds and interest payable	-	236,669	236,669
Accrued liabilities	58,584	3,251	61,835
Accrued sick and vacation payable	165,584	-	165,584
Due to other governmental units	33,000	-	33,000
Due to other funds	803,642	353,642	1,157,284
Deferred revenues	3,639,207	526,358	4,165,565
Other liabilities	414,000	-	414,000
Bonds payable	-	5,275,000	5,275,000
<b>TOTAL LIABILITIES</b>	<b>5,393,516</b>	<b>6,473,094</b>	<b>11,866,610</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	3,794,256	377,310	4,171,566
Fund balances:			
Reserved	415,977	-	415,977
Unreserved	2,573,936	2,197,176	4,771,112
<b>TOTAL FUND EQUITY</b>	<b>6,784,169</b>	<b>2,574,486</b>	<b>9,358,655</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 12,177,685</b>	<b>\$ 9,047,580</b>	<b>\$ 21,225,265</b>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Legislative	\$ 116,409	\$ -	\$ -	\$ -
Judicial	1,283,570	543,286	549,627	
General Government	1,943,912	438,684	75,970	
Public Safety	3,586,993	1044,408	634,811	8,244
Public Works	104,683	-	-	-
Health and Welfare	1,764,904	235,997	771,646	-
Recreation and culture	323,037	170,091	18,630	-
Other	534,957	-	-	-
Interest on long term debt	-	-	-	-
Total governmental activities	9,658,465	2,432,466	2,050,684	8,244
Business-type activities:				
Tax payment	83,234	313,815	-	-
Sportsplex	934,900	311,220	-	-
Total business-type activities	1,018,134	625,035	-	-
Total primary government	<u>\$ 10,676,599</u>	<u>\$ 3,057,501</u>	<u>\$ 2,050,684</u>	<u>\$ 8,244</u>

General Revenues:  
Property Taxes  
State Shared Revenue  
Unrestricted investment earnings  
Rents  
Miscellaneous revenues  
Loss on disposal of fixed assets  
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (116,409)	\$ -	\$ (116,409)
(190,657)	-	(190,657)
(1,429,258)	-	(1,429,258)
(1,899,530)	-	(1,899,530)
(104,683)	-	(104,683)
(757,261)	-	(757,261)
(134,316)	-	(134,316)
(534,957)	-	(534,957)
-	-	-
(5,167,071)	-	(5,167,071)
-	230,581	230,581
-	(623,680)	(623,680)
-	(393,099)	(393,099)
<u>\$ (5,167,071)</u>	<u>\$ (393,099)</u>	<u>\$ (5,560,170)</u>
5,111,479	443,162	5,554,641
340,100	-	340,100
94,660	50,699	145,359
155,253	-	155,253
202,378	-	202,378
465	-	465
263,500	(263,500)	-
6,167,835	230,361	6,398,196
1,000,764	(162,738)	838,026
5,783,405	2,737,224	8,520,629
<u>\$ 6,784,169</u>	<u>\$ 2,574,486</u>	<u>\$ 9,358,655</u>



**KALKASKA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ -	\$ 33,355	\$ 724,682	\$ 1,439,508	\$ 2,197,545
Receivables:					
Taxes	2,545,676	-	1,122,838	486,983	4,155,497
Accounts	56,318	781,548	-	58,786	896,652
Interest	17,388	-	-	-	17,388
Due from State	148,936	-	-	49,390	198,326
Due from other government units	115,480	-	-	47,995	163,475
Due from other funds	578,642	-	-	-	578,642
Prepaid expenses	140,895	-	-	35,009	175,904
	<u>\$ 3,603,335</u>	<u>\$ 814,903</u>	<u>\$ 1,847,520</u>	<u>\$ 2,117,671</u>	<u>\$ 8,383,429</u>
<b>LIABILITIES &amp; FUND EQUITY</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 154,155	\$ 166	\$ -	\$ 71,895	\$ 226,216
Checks written in excess of deposits	32,861	-	-	20,422	53,283
Accrued liabilities	44,895	372	-	13,317	58,584
Due to other funds	578,642	-	-	225,000	803,642
Due to other governmental units	-	-	-	33,000	33,000
Other liabilities	414,000	-	-	-	414,000
Deferred revenues	2,370,676	781,548	-	486,983	3,639,207
<b>TOTAL LIABILITIES</b>	<u>3,595,229</u>	<u>782,086</u>	<u>-</u>	<u>850,617</u>	<u>5,227,932</u>
<b>FUND EQUITY:</b>					
Fund balances:					
Reserved	-	32,817	-	383,160	415,977
Unreserved	8,106	-	1,847,520	883,894	2,739,520
<b>TOTAL FUND EQUITY</b>	<u>8,106</u>	<u>32,817</u>	<u>1,847,520</u>	<u>1,267,054</u>	<u>3,155,497</u>
	<u>\$ 3,603,335</u>	<u>\$ 814,903</u>	<u>\$ 1,847,520</u>	<u>\$ 2,117,671</u>	<u>\$ 8,383,429</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2005**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Total Governmental Fund Balances	\$ 3,155,497
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	9,517,363
Accumulated depreciation	(5,723,107)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Compensated absences payable	<u>(165,584)</u>
Net Assets of Governmental Activities	<u>\$ 6,784,169</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 3,535,260	\$ -	\$ 1,122,838	\$ 453,381	\$ 5,111,479
Licenses and permits	57,811	-	-	327,344	385,155
Federal grants	212,821	30,488	-	230,423	473,732
State grants	949,714	-	-	734,066	1,683,780
Other governmental revenue	-	-	-	107,057	107,057
Charges for services	1,012,405	-	-	654,403	1,666,808
Fines and forfeits	6,755	-	-	193,618	200,373
Interest earned	72,862	219	16,375	5,179	94,635
Rents received	97,053	-	-	58,225	155,278
Other	204,499	94,090	-	220,499	519,088
<b>TOTAL REVENUES</b>	<b>6,149,180</b>	<b>124,797</b>	<b>1,139,213</b>	<b>2,984,195</b>	<b>10,397,385</b>
EXPENDITURES:					
Current:					
Legislative	116,409	-	-	-	116,409
Judicial	1,176,653	-	-	98,680	1,275,333
General government	1,686,498	-	-	78,981	1,765,479
Public safety	2,437,814	-	-	1,181,105	3,618,919
Public works	104,683	-	-	-	104,683
Health and welfare	416,603	98,906	-	1,264,335	1,779,844
Recreation & cultural	-	-	-	336,448	336,448
Other	246,097	-	288,860	-	534,957
<b>TOTAL EXPENDITURES</b>	<b>6,184,757</b>	<b>98,906</b>	<b>288,860</b>	<b>2,959,549</b>	<b>9,532,072</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,577)	25,891	850,353	24,646	865,313

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Operating transfers in	564,246	-	-	370,217	934,463
Operating transfers (out)	(539,559)	-	-	(131,404)	(670,963)
TOTAL OTHER FINANCING SOURCES (USES)	24,687	-	-	238,813	263,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,890)	25,891	850,353	263,459	1,128,813
FUND BALANCE, beginning	18,996	6,926	997,167	1,003,595	2,026,684
FUND BALANCE, ending	<u>\$ 8,106</u>	<u>\$ 32,817</u>	<u>\$ 1,847,520</u>	<u>\$ 1,267,054</u>	<u>\$ 3,155,497</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Net change in fund balance – total governmental funds	\$ 1,128,813
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	315,177
Depreciation recorded as an expense	(395,193)
Adjusting revenue for basis of capital assets sold	(1,656)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	(46,377)
	<hr/>
Change in net assets of governmental activities	<u>\$ 1,000,764</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

		Tax Payment	Sportsplex	Total (Memorandum Only)
	ASSETS			
Cash		\$ 1,054,617	\$ 195,635	\$ 1,250,252
Receivables:				
Taxes		923,944	462,694	1,386,638
Accounts		-	2,120	2,120
Due from other funds		578,642	-	578,642
Inventories		-	1,816	1,816
Prepaid expenses		802	-	802
Buildings & improvements		-	6,609,692	6,609,692
Machinery & equipment		-	222,172	222,172
Accumulated depreciation		-	(1,004,554)	(1,004,554)
		<u>-</u>	<u>(1,004,554)</u>	<u>(1,004,554)</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 2,558,005</u></u>	<u><u>\$ 6,489,575</u></u>	<u><u>\$ 9,047,580</u></u>
	LIABILITIES & FUND EQUITY			
Liabilities:				
Accounts payable		\$ 50,116	\$ 28,058	\$ 78,174
Accrued expenses		-	3,251	3,251
Accrued interest payable		-	61,669	61,669
Due to other funds		-	353,642	353,642
Bonds payable		-	5,450,000	5,450,000
Deferred revenue		40,488	485,870	526,358
		<u>90,604</u>	<u>6,382,490</u>	<u>6,473,094</u>
<b>TOTAL LIABILITIES</b>		<u>90,604</u>	<u>6,382,490</u>	<u>6,473,094</u>
Fund Equity:				
Investment in capital assets, net of related debt		-	377,310	377,310
Retained earnings:				
Unreserved		2,467,401	(270,225)	2,197,176
		<u>2,467,401</u>	<u>107,085</u>	<u>2,574,486</u>
<b>TOTAL FUND EQUITY</b>		<u>2,467,401</u>	<u>107,085</u>	<u>2,574,486</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>		<u><u>\$ 2,558,005</u></u>	<u><u>\$ 6,489,575</u></u>	<u><u>\$ 9,047,580</u></u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES:			
Charges for services	\$ 246,192	\$ 311,220	\$ 557,412
Interest and penalties on taxes	<u>67,623</u>	<u>-</u>	<u>67,623</u>
 TOTAL OPERATING REVENUES	 <u>313,815</u>	 <u>311,220</u>	 <u>625,035</u>
OPERATING EXPENSES:			
Salary expense	-	129,427	129,427
Fringe benefit expense	-	20,688	20,688
Other	71,800	374,303	446,103
Depreciation	<u>-</u>	<u>157,582</u>	<u>157,582</u>
 TOTAL OPERATING EXPENSES	 <u>71,800</u>	 <u>682,000</u>	 <u>753,800</u>
 OPERATING INCOME (LOSS)	 <u>242,015</u>	 <u>(370,780)</u>	 <u>(128,765)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	443,162	443,162
Interest income	50,699	-	50,699
Interest expense	(9,209)	(249,225)	(258,434)
Other	<u>(2,225)</u>	<u>(3,675)</u>	<u>(5,900)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>39,265</u>	 <u>190,262</u>	 <u>229,527</u>
TRANSFERS			
Transfers from other funds	372,829	241,919	614,748
Transfers to other funds	<u>(878,248)</u>	<u>-</u>	<u>(878,248)</u>
 TOTAL TRANSFERS	 <u>(505,419)</u>	 <u>241,919</u>	 <u>(263,500)</u>
 NET INCOME (LOSS)	 (224,139)	 61,401	 (162,738)
 RETAINED EARNINGS, beginning	 <u>2,691,540</u>	 <u>45,684</u>	 <u>2,737,224</u>
 RETAINED EARNINGS, ending	 <u>\$ 2,467,401</u>	 <u>\$ 107,085</u>	 <u>\$ 2,574,486</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Tax Payment	Sportsplex	Total (Memorandum Only)
Cash Flow From Operating Activities:			
Cash received from customers	\$ 207,842	\$ 330,153	\$ 537,995
Cash payments for goods and services	(29,400)	(363,266)	(392,666)
Cash received from penalties and interest on delinquent taxes	67,623	-	67,623
Cash payments to employees for services/fringe benefits	<u>-</u>	<u>(150,923)</u>	<u>(150,923)</u>
Net Cash Provided By (Used In) Operating Activities	<u>246,065</u>	<u>(184,036)</u>	<u>62,029</u>
Cash Flows From Non-capital Financing Activities:			
Local tax levy received	-	443,162	443,162
Payments received (paid) to other funds	22,501	(15,854)	6,647
Transfer in (out)	<u>(505,419)</u>	<u>241,919</u>	<u>(263,500)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(482,918)</u>	<u>669,227</u>	<u>186,309</u>
Cash Flows From Capital And Related Financing Activities:			
Acquisition of capital assets	-	(30,947)	(30,947)
Principal paid on bonds	-	(150,000)	(150,000)
Interest paid on bonds	<u>(9,209)</u>	<u>(251,475)</u>	<u>(260,684)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(9,209)</u>	<u>(432,422)</u>	<u>(441,631)</u>
Cash Flows From Investing Activities:			
Interest on investments	<u>48,474</u>	<u>(3,676)</u>	<u>44,798</u>
NET INCREASE IN CASH	(197,588)	49,093	(148,495)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,252,205</u>	<u>146,542</u>	<u>1,398,747</u>
CASH AND CASH EQUIVALENTS, ending of year	<u><u>\$ 1,054,617</u></u>	<u><u>\$ 195,635</u></u>	<u><u>\$ 1,250,252</u></u>

The accompanying notes are an integral part of these statements.



**KALKASKA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Continued)**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Reconciliation Of Net Operating Income			
To Net Cash Provided By Operating			
Activities:			
Net operating income (loss)	<u>\$ 242,015</u>	<u>\$ (370,780)</u>	<u>\$ (128,765)</u>
Adjustments To Reconcile Net Operating			
Income (Loss) To Net Cash Provided			
By Operating Activities:			
Depreciation	-	157,582	157,582
(Increase) decrease in:			
Receivables	(58,307)	20,048	(38,259)
Prepaid expenses	-	14,918	14,918
Increase (decrease) in:			
Accounts payable	46,091	(3,881)	42,210
Accrued liabilities	(3,691)	(808)	(4,499)
Deferred revenue	<u>19,957</u>	<u>(1,115)</u>	<u>18,842</u>
Total adjustments	<u>4,050</u>	<u>186,744</u>	<u>190,794</u>
Net Cash Provided By (Used In)			
Operating Activities	<u><u>\$ 246,065</u></u>	<u><u>\$ (184,036)</u></u>	<u><u>\$ 62,029</u></u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**DECEMBER 31, 2005**

ASSETS

Cash	\$ 910,689
	<hr/>
TOTAL ASSETS	\$ 910,689
	<hr/> <hr/>

LIABILITIES

Due to other government units	\$ 163,261
Undistributed collections	645,714
Other liabilities	101,714
	<hr/>
TOTAL LIABILITIES	\$ 910,689
	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County.

**DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES**

The County of was organized in 1871 and covers an area of approximately 576 square miles with the County seat located in Kalkaska, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 16,500 residents, primarily from the operations of its General Fund and Special Revenue Funds. The County's services, assistance and care includes the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children, public and mental health recipients; (5) libraries, and (6) recreation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

**REPORTING ENTITY**

The accompanying financial statements present the only the primary government of the County and entities for which the government is considered to be financially accountable. Discretely presented component units have not been included in the financial presentation.

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and the State of Michigan Department of Treasury established criteria for governmental organizations to be considered to be part of the County for financial reporting purposes. The criteria included oversight responsibility, fiscal dependency and whether the statements would be misleading if data were not included.

The financial statements of certain governmental organizations are not included in the financial statements of the County: (1) Education services which are provided to citizens through the several local school districts that are separate governmental entities. The Transportation Authority is considered a separate reporting entity and therefore not included in this report.

**DISCRETELY PRESENTED COMPONENT UNITS**

The Kalkaska County Road Commission is considered a component unit of the County. It's financial statement is discretely presented in the County combined financial statements as required by accounting principles generally accepted in the United States of America revised under GASB 14. Due to circumstances outside of the control of the primary government, the Road Commission's financial statements have not been presented. Complete financial statements of the Road Commission Component Unit can be obtained directly from the Road Commission office at 1049 Island Lake Rd., Kalkaska, Michigan 49646.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**JOINTLY GOVERNED ORGANIZATIONS**

The North Country Community Mental Health Authority consists of the counties of Otsego, Emmet, Charlevoix, Cheboygan, and Kalkaska. Financial records for this Authority are maintained by the mental health authority and are audited separately from any of the member counties. A copy of a financial statement and audit report would be available at the Authority office located at 1 MacDonald Drive, Suite A, Petoskey, Michigan 49770.

The funding formula for the Community Mental Health operations is in accordance with an agreement approved by all of the member counties and the local contribution was frozen, by statute, at the amount contributed in year 2002. For 2005 Kalkaska County's local match was \$61,875. Their financial statements are not required, under GASB No. 14, to be included in the Kalkaska County report.

The 46<sup>th</sup> Judicial Trial Court has responsibilities for Kalkaska, Crawford, and Otsego Counties. The funding formula is based upon the previous year's caseload. For the year ended December 31, 2005 the funding was as follows:

Crawford County	29%
Kalkaska County	27%
Otsego County	44%

Otsego County is the fiscal agent for the 46<sup>th</sup> Circuit Trial court so the detail expenditures are incurred by and paid by Otsego County. The other two Counties appropriate funds based upon their respective share of the fiscal responsibility.

Kalkaska County appropriated \$849,467 for the 46<sup>th</sup> Circuit Trial court in 2005.

Kalkaska County along with Crawford County have been named defendants in litigation involving a funding dispute with the 46<sup>th</sup> Judicial Trial Court. The dispute arose because the Trial Court wanted certain retirement benefits including pension and health insurance for the judges and their spouses along with the court employees and their spouses. In addition, there is a dispute over the annual budget requests, to fund the court, which must be appropriated by the member counties on an annual basis. Kalkaska and Crawford Counties do not agree with the amount of retirement benefits that the Trial court wants to be made available to their employees. Kalkaska County, along with Crawford County, is vigorously defending this lawsuit. The potential cost to Kalkaska County, should the courts prevail, is unknown as of this date, but the amount could be substantial to the taxpayers of the County. A liability for potential attorney fees has been recorded in the general fund based upon billings through December 31, 2005.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they are levied, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The government reports the following major governmental funds:

GENERAL FUND This fund is the County's primary general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HOUSING FUND This fund provides housing assistance in the form of low or zero interest loans to low income citizens within the county to provide housing or housing repairs.

REVENUE SHARING RESERVE FUND This fund was established by the Michigan Treasury as a means to smooth funding for governmental units. The County has changed the manner of collecting tax, by shifting them forward. These collections are receipted to this fund as a measure to fund future fiscal periods.

The County reports the following major enterprise funds:

SPORTS COMPLEX FUND – This fund is operating an ice arena/swimming pool facility.

DELINQUENT PROPERTY TAX FUND – This fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues derived primarily from specific sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

CAPITAL PROJECTS FUNDS – The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

AGENCY FUNDS – are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**BANK DEPOSITS AND INVESTMENTS** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are state at fair market value.

The County reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the county intends to hold the investment until maturity.

State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The county is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**RECEIVABLES AND PAYABLES** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**CURRENT PROPERTY TAX LEVY** – The County property tax is levied as of December 1 on the state equalized valuation of property located in the County as of the preceding December 31 and attach an enforceable lien on the property. Although the County's 2005 property taxes are levied and collectable on December 1, 2004, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the County's Trust and Agency Fund. It is the County's policy, through its Internal Service 100% Tax Payment Fund, to purchase delinquent real property taxes and special assessments each year to afford 100% collection of the current levy.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The 2004 taxable value of Kalkaska County amounted to \$614,378,603 on which 5.4828 mills were levied for County operating purposes and .25 mills for Commission on Aging operations, .125 mills for both animal control and recycling, .25 mills for the library and .7313 mills for Debt Service operations. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act.

TAXES RECEIVABLE – DELINQUENT – The taxes receivable of \$923,944 which are recorded in the Enterprise 100% Tax Payment Fund, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Kalkaska County by the County's 100% Tax Payment Fund.

INVENTORIES AND PREPAID ITEMS – Inventories consisting of supplies of \$1,816 and prepaid expenses of \$176,706, are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at cost which approximates market.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the activities column in the government-wide financial statements as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. These infrastructure assets are the responsibility of the Kalkaska County Road Commission, and they have reported the infrastructure in their statement of net assets. The Road Commission has retroactively capitalized the major infrastructure assets as of December 31, 2005, as permitted by GASB 34.

PRIMARY GOVERNMENT – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	8 to 50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

DEFERRED REVENUE – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.



**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

LONG-TERM OBLIGATIONS – In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ACCRUED VACATION AND SICK – In accordance with contracts negotiated with the various employee groups employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUND EQUITY – In the fund financial statements, governmental and business-type funds report reservations of fund balance for amounts that are not are legally restricted for use for a specific purpose.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Controller. The Controller totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued**

**A. Budgetary information - continued**

- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

**B. Excess of expenditures over appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2005, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Operating transfer out	\$ 530,750	\$ 539,559	\$ 8,809

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: CASH AND INVESTMENTS**

The captions on the accompanying balance sheet related to cash and investments are as follows:

	Imprest Cash	Cash/Checking And Savings	Certificates of Deposit	Total
Primary Government				
Governmental Activities	\$ 16,570	\$ 1,470,380	\$ 657,312	\$ 2,144,262
Business-type Activities	1,420	412,485	836,407	1,250,312
Agency Funds	-	879,554	31,074	910,628
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 17,990	\$ 2,762,419	\$ 1,524,793	\$ 4,305,202
	<hr/>	<hr/>	<hr/>	<hr/>

*Interest Rate Risk* – The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The County has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* – The County places no limit on the amount the district may invest in any one issuer.

Deposits – At year-end, the carrying amount of the County's deposits was \$4,305,202 and the bank balance of \$4,781,128 was classified as to risk as follows:

Insured	\$ 637,882
Uninsured – Uncollateralized	<hr/> 4,143,246
	<hr/>
Total	\$ <hr/> 4,781,128

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: RECEIVABLES/DEFERRED REVENUE**

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total
Taxes receivable	\$ 2,545,676	\$ -	\$ 1,122,838	\$ 486,983	\$ 4,155,497
Accounts receivable	56,318	-	-	58,786	115,104
Housing Fund Mortgages	-	781,548	-	-	781,548
Interest	17,388	-	-	-	17,388
Intergovernmental	264,416	-	-	97,385	361,801
	<u>\$ 2,883,798</u>	<u>\$ 781,548</u>	<u>\$ 1,122,838</u>	<u>\$ 643,154</u>	<u>\$ 5,431,338</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes	\$ 2,857,109	\$ -	\$ 2,857,109
Housing Fund Mortgages	-	781,548	781,548
Other	-	550	550
	<u>\$ 2,857,109</u>	<u>\$ 782,098</u>	<u>\$ 3,639,207</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS**

A summary of the changes in the capital assets of the primary government follows:

<b>Primary Government</b>	Balance 01/01/05	Increases	Decreases/ Transfers	Balance 12/31/05
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 281,327	\$ -	\$ -	\$ 281,327
Total capital assets not being depreciated	281,327	-	-	281,327
Capital assets, being depreciated				
Buildings	6,386,573	2,782	-	6,389,355
Land improvements	209,372	50,740	-	260,112
Machinery & equipment	2,370,837	261,655	45,923	2,586,569
Total capital assets being depreciated	8,966,782	315,177	45,923	9,236,036
Less accumulated depreciation for:				
Buildings	3,562,384	170,323	-	3,732,707
Land improvements	123,501	6,660	-	130,161
Machinery & equipment	1,686,296	218,210	44,267	1,860,239
Total accumulated depreciation	5,372,181	395,193	44,267	5,723,107
Total capital assets, being depreciated, net	3,594,601	(80,016)	(1,656)	3,512,929
Governmental activities capital assets, net	\$ 3,875,928	\$ (80,016)	\$ (1,656)	\$ 3,794,256

A summary of the changes in the capital assets of the business-type activities follows:

<b>Sportsplex</b>	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 6,609,692	\$ -	\$ -	\$ 6,609,692
Furniture, fixtures & equipment	191,225	30,948	-	222,173
Total capital assets being depreciated	6,800,917	30,948	-	6,831,865
Less accumulated depreciation for:				
Buildings & improvements	695,913	135,664	-	831,577
Machinery & equipment	151,059	21,918	-	172,977
Total accumulated depreciation	846,972	157,582	-	1,004,554
Business-type activities capital assets, net	\$ 5,953,945	\$ (126,634)	\$ -	\$ 5,827,311

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS - continued**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 34,486
General government	225,740
Public Safety	126,391
Recreation and culture	<u>8,576</u>
 Total depreciation expense – governmental activities	 <u><u>\$ 395,193</u></u>
 Business-type activities:	
Sportsplex	<u><u>\$ 157,582</u></u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 578,642	Sportsplex	\$ 353,642
		County Building Fund	225,000
Tax Payment Fund	578,642	General Fund	578,642
	<u>\$ 1,157,284</u>		<u>\$ 1,157,284</u>

Interfund transfers:

	Operating Transfer In	Operating Transfer Out	Total
General fund	\$ 564,246	\$ 539,559	\$ 24,687
Other governmental funds	370,217	131,404	238,813
Tax payment fund	372,829	878,248	(505,419)
Sportsplex	241,919	241,919	241,919
	<u>\$ 1,549,211</u>	<u>\$ 1,549,211</u>	<u>\$ -</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: LONG-TERM DEBT**

Governmental activities – Following is a summary of information concerning the County’s long-term debt:

Outstanding debt description and change in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance
Termination benefits	\$ 119,207	\$ 46,377	\$ -	\$ 165,584

Business-type activities - Following is a summary of information concerning the County’s long-term debt:

General obligation debts and other long-term obligations currently outstanding are as follows:

100% Tax Collection fund general obligation notes are issued by the County to purchase delinquent taxes and special assessments excepts taxes on personal property, due and payable to the taxing units in the County.

\$500,000 Series 2005, General Obligation Limited Tax Notes, due June 23, 2005 \$ -

Sports Complex Bonds were issued by the County to provide for acquiring, constructing, furnishing and equipping a new recreational facility/sports complex.

\$6,000,000 1999 General Obligation Unlimited Tax Bonds, due in annual  
Installments of \$100,000 to \$500,000 through November 2, 2020; interest at 4.05%  
To 6.00%, secured by the full faith and credit of the County. \$ 5,450,000

The annual requirements to amortize long-term obligations outstanding as of December 31, 2005 including interest of \$2,133,938 are as follows:

	Principal amount	Interest Amount	Total
Year ending June 30:			
2006	\$ 175,000	\$ 241,425	\$ 416,425
2007	200,000	230,175	430,175
2008	250,000	219,113	469,113
2009	275,000	208,413	483,413
2010 – 2014	1,800,000	835,850	2,635,850
2015 – 2019	2,250,000	387,337	2,637,337
2020	500,000	11,625	511,625
	<u>\$ 5,450,000</u>	<u>\$ 2,133,938</u>	<u>\$ 7,583,938</u>



**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: LONG-TERM DEBT - continued**

The following is a summary of the changes in liabilities reported in the long-term debt of the business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Business-type Activities:					
Bonds payable:					
Tax Payment Fund	\$ -	\$ 600,000	\$ 600,000	\$ -	\$ -
Sportsplex	<u>5,600,000</u>	<u>-</u>	<u>150,000</u>	<u>5,450,000</u>	<u>175,000</u>
Total bonds payable	<u>\$ 5,600,000</u>	<u>\$ 600,000</u>	<u>\$ 750,000</u>	<u>\$ 5,450,000</u>	<u>\$ 175,000</u>

**NOTE 8: PENSION PLANS**

PRIMARY GOVERNMENT

Plan Description – Kalkaska County participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity that has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County employees are eligible to participate in the system. Benefits vest after ten years of service. General County employees who retire at or after age 55 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% percent of the member's 5-year final average compensation. The Sheriff Department participating employees and dispatchers who retire with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5-year final average compensation or three year average in the case of command office members. The system also provides death and disability benefits which are established by State Statute.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: PENSION PLANS - continued**

Participating General County employees are required to contribute 1.0 percent of their annual salary to the system. The county is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**GASB 25 INFORMATION (as of 12/31/05)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 3,676,458
Terminated employees not yet receiving benefits	685,052
Non-vested terminated employees	21,099
Current employee:	
Accumulated employee contributions including allocated investment income	389,786
Employer financed	<u>5,503,725</u>
Total actuarial accrued liability	10,276,120
Net Assets Available for Benefits, at actuarial value (Market Value is \$8,765,873)	
	<u>9,003,112</u>
Unfunded (over funded) actuarial accrued liability	<u><u>\$ 1,273,008</u></u>

**GASB 27 INFORMATION (as of 12/31/05)**

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 355,464
Amortization factor used (under funded liabilities)	0.053632
Amortization factor used (over funded liabilities)	0.119963

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: PENSION PLANS - continued**

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Aggregate Accrued Liabilities – Comparative Schedule of Funding Progress

	Fiscal year ended December 31:		
	2005	2004	2003
Annual Pension cost	\$ 308,777	\$ 342,092	\$ 297,768
Acturial value of assets	9,003,112	8,404,345	7,638,791
Acturial accrued liability	10,276,120	9,457,993	8,162,754
(Unfunded) / Overfunded AAL	(1,273,008)	(1,053,648)	(523,963)
Percent of funded AAL	87.6%	88.9%	94.0%
Covered payroll	2,845,500	3,042,302	2,910,906
UAAL as a % of covered payroll	44.7%	34.6%	18.0%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: POST EMPLOYMENT HEALTH CARE BENEFITS**

PRIMARY GOVERNMENT – In addition to pension benefits described in Note 8 the County employment agreement provides for certain post employment health care coverage. To be eligible an employee must have had 15 years of continuous service prior to retirement and the coverage is effective only from age 60 to 65. At age 65 supplemental coverage is provided at the employee cost. The employee only is covered and the premium is payable at the then current rate for coverage in force for the County at that time. The County will pay each retiree a maximum of \$500 per month.

The Sheriff Department agreement provides that with 25 years continuous service medical coverage in effect at their retirement will be continued. There will be no employee co-pay for this coverage. This coverage will remain in effect until the employee is eligible for Medicare at which time group coverage is available for the Medicare supplement paid for totally by the employee. The County will pay each retiree a maximum of \$500 per month. Five employees were eligible for this coverage during 2005 and costs were approximately \$22,502.

**NOTE 10: RISK MANAGEMENT**

PRIMARY GOVERNMENT - The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The county participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan that authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance, and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The County is a State pool member and has deductibles that differ for each type of coverage.

Employee Benefits-Commercial Insurance Provider-Workers' Compensation

The County has insurance coverage for workers' compensation provided by an independent insurance company licensed in the State of Michigan.

At December 31, 2005, there were no claims that exceeded insurance coverage. The county had no significant reduction in insurance coverage from previous years.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11: LITIGATION**

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted claims and assessments. Although actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any ending actions will not have a material effect on the County's financial position or results of operations.

The County is involved in litigation involving a funding dispute with the 46<sup>th</sup> Judicial Trial court. The Court wants certain benefits for their employees and both Kalkaska County and Crawford County are disputing the level of benefits and the funding on an on-going basis. The potential long-term costs to the county taxpayers could be substantial. The short-term costs are attorney fees which have been recorded as a liability at December 31, 2005.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**KALKASKA COUNTY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 3,743,194	\$ 3,544,619	\$ 3,535,260	\$ (9,359)
Licenses and permits	49,825	53,325	57,811	4,486
Federal grants	232,854	206,091	212,821	(2,897)
State grants	915,995	933,011	949,714	26,330
Charges for services	960,149	1,034,111	1,012,405	(21,706)
Fines and forfeits	6,000	6,300	6,755	455
Interest earned	71,250	69,825	72,862	3,037
Rents	110,160	90,360	97,053	6,693
Other	225,575	246,060	204,499	(41,561)
<b>TOTAL REVENUES</b>	<b>6,315,002</b>	<b>6,183,702</b>	<b>6,149,180</b>	<b>(34,522)</b>
EXPENDITURES:				
Current:				
Legislative	124,772	117,340	116,409	931
Judicial	1,182,085	1,178,131	1,176,653	1,478
General government	1,708,767	1,692,933	1,686,498	6,435
Public safety	2,585,326	2,445,502	2,437,814	7,688
Public works	111,273	105,548	104,683	865
Health and welfare	395,969	418,002	416,603	1,399
Other	308,753	261,794	246,097	15,697
<b>TOTAL EXPENDITURES</b>	<b>6,416,945</b>	<b>6,219,250</b>	<b>6,184,757</b>	<b>34,493</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(101,943)	(35,548)	(35,577)	(29)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	469,298	566,298	564,246	(2,052)
Operating transfers (out)	(367,355)	(530,750)	(539,559)	(8,809)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>101,943</b>	<b>35,548</b>	<b>24,687</b>	<b>(10,861)</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$	\$	(10,890)	\$ (10,890)
FUND BALANCE, beginning			18,996	
FUND BALANCE, ending			\$ 8,106	

**KALKASKA COUNTY  
HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Federal grants	\$ 86,000	\$ 31,500	\$ 30,488	\$ (1,012)
Interest and rents	250	250	219	(31)
Other	30,250	95,250	94,090	(1,160)
 TOTAL REVENUES	 116,500	 127,000	 124,797	 (2,203)
EXPENDITURES:				
Current:				
Health and welfare	111,796	127,000	98,906	28,094
 TOTAL EXPENDITURES	 111,796	 127,000	 98,906	 28,094
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 4,704</u>	<u>\$</u>	25,891	<u>\$ (25,891)</u>
FUND BALANCE, beginning			<u>6,926</u>	
FUND BALANCE, ending			<u>\$ 32,817</u>	



**KALKASKA COUNTY**  
**REVENUE SHARING RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,122,500	\$ 1,124,500	\$ 1,122,838	\$ (1,662)
Interest	30,000	17,500	16,375	(1,125)
TOTAL REVENUES	<u>1,152,500</u>	<u>1,142,000</u>	<u>1,139,213</u>	<u>(2,787)</u>
EXPENDITURES:				
Current:				
Other	<u>305,800</u>	<u>345,700</u>	<u>288,860</u>	<u>56,840</u>
TOTAL EXPENDITURES	<u>305,800</u>	<u>345,700</u>	<u>288,860</u>	<u>56,840</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 846,700</u>	<u>\$ 796,300</u>	850,353	<u>\$ 54,053</u>
FUND BALANCE, beginning			<u>997,167</u>	
FUND BALANCE, ending			<u>\$ 1,847,520</u>	

## **SUPPLEMENTARY DATA SECTION**

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
<b>ASSETS</b>									
Cash	\$ 3,719	\$ 50,819	\$ 2,811	\$ 9,731	\$ 2,585	\$ 3,448	\$ 13,022	\$ 31,212	\$ -
Accounts receivable	-	-	236	-	-	-	-	-	15,361
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	29	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 3,719</u>	<u>\$ 50,819</u>	<u>\$ 3,047</u>	<u>\$ 9,731</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 13,051</u>	<u>\$ 31,212</u>	<u>\$ 15,361</u>
<b>LIABILITIES &amp; FUND BALANCE</b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 2,496	\$ 839	\$ -	\$ -	\$ 12,146	\$ -	\$ 6,685
Checks written in excess of deposits	-	-	-	-	-	-	-	-	5,057
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	550	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>3,046</u>	<u>839</u>	<u>-</u>	<u>-</u>	<u>12,146</u>	<u>-</u>	<u>11,742</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	905	-	-
Unreserved	<u>3,719</u>	<u>50,819</u>	<u>1</u>	<u>8,892</u>	<u>2,585</u>	<u>3,448</u>	<u>-</u>	<u>31,212</u>	<u>3,619</u>
<b>TOTAL FUND BALANCE</b>	<u>3,719</u>	<u>50,819</u>	<u>1</u>	<u>8,892</u>	<u>2,585</u>	<u>3,448</u>	<u>905</u>	<u>31,212</u>	<u>3,619</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 3,719</u>	<u>\$ 50,819</u>	<u>\$ 3,047</u>	<u>\$ 9,731</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 13,051</u>	<u>\$ 31,212</u>	<u>\$ 15,361</u>

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	Special Revenue Funds								
	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
<u>ASSETS</u>									
Cash	\$ -	\$ -	\$ -	\$ 18,000	\$ 50,078	\$ 36,474	\$ 1	\$ 52,157	\$ -
Accounts receivable	7,965	-	-	-	2,330	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	6,431	-	-	-	-	-	-	-
 TOTAL ASSETS	<u>\$ 7,965</u>	<u>\$ 6,431</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 52,408</u>	<u>\$ 36,474</u>	<u>\$ 1</u>	<u>\$ 52,157</u>	<u>\$ -</u>
 <u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ 430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checks written in excess of deposits	5,358	500	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
 TOTAL LIABILITIES	<u>5,358</u>	<u>930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	2,607	5,501	-	18,000	52,408	36,474	1	52,157	-
 TOTAL FUND BALANCE	<u>2,607</u>	<u>5,501</u>	<u>-</u>	<u>18,000</u>	<u>52,408</u>	<u>36,474</u>	<u>1</u>	<u>52,157</u>	<u>-</u>
 TOTAL LIABILITIES & FUND BALANCE	<u>\$ 7,965</u>	<u>\$ 6,431</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 52,408</u>	<u>\$ 36,474</u>	<u>\$ 1</u>	<u>\$ 52,157</u>	<u>\$ -</u>

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
<u>ASSETS</u>									
Cash	\$ 97,698	\$ 48,520	\$ 397	\$ 14,369	\$ 59,238	\$ 14,466	\$ 3,178	\$ 11,254	\$ 351,088
Accounts receivable	-	-	-	-	-	30,021	-	115	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	24,168	-	-	-
Prepaid expenses	4,988	-	-	-	-	6,093	-	7,353	-
<b>TOTAL ASSETS</b>	<b>\$ 102,686</b>	<b>\$ 48,520</b>	<b>\$ 397</b>	<b>\$ 14,369</b>	<b>\$ 59,238</b>	<b>\$ 74,748</b>	<b>\$ 3,178</b>	<b>\$ 18,722</b>	<b>\$ 351,088</b>
<u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 3,391	\$ -	\$ -	\$ 100	\$ -	\$ 3,407	\$ -	\$ 60	\$ -
Checks written on excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	3,528	-	-	-	-	3,817	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>6,919</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>7,224</b>	<b>-</b>	<b>60</b>	<b>-</b>
Fund Balance:									
Reserved	95,767	-	-	-	-	67,524	-	-	-
Unreserved	-	48,520	397	14,269	59,238	-	3,178	18,662	351,088
<b>TOTAL FUND BALANCE</b>	<b>95,767</b>	<b>48,520</b>	<b>397</b>	<b>14,269</b>	<b>59,238</b>	<b>67,524</b>	<b>3,178</b>	<b>18,662</b>	<b>351,088</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 102,686</b>	<b>\$ 48,520</b>	<b>\$ 397</b>	<b>\$ 14,369</b>	<b>\$ 59,238</b>	<b>\$ 74,748</b>	<b>\$ 3,178</b>	<b>\$ 18,722</b>	<b>\$ 351,088</b>

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
<u>ASSETS</u>									
Cash	\$ 30,502	\$ 38,263	\$ -	\$ 18,548	\$ 5,818	\$ 1,545	\$ 45,647	\$ 2,425	\$ 6,839
Accounts receivable	-	-	-	71,455	-	-	-	92,909	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	1,524	29	60	9,996	85	32	-
Prepaid expenses	-	2,332	145	1,012	-	-	-	407	279
	<u>-</u>	<u>2,332</u>	<u>145</u>	<u>1,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407</u>	<u>279</u>
TOTAL ASSETS	<u>\$ 30,502</u>	<u>\$ 40,595</u>	<u>\$ 1,669</u>	<u>\$ 91,044</u>	<u>\$ 5,878</u>	<u>\$ 11,541</u>	<u>\$ 45,732</u>	<u>\$ 95,773</u>	<u>\$ 7,118</u>
<u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ 36	\$ 30	\$ 1,360	\$ -	\$ -	\$ -	\$ 1,644	\$ 288
Checks written in excess of deposits	-	-	816	-	-	-	-	-	-
Accrued expenses	-	-	63	710	-	-	-	1,220	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	69,236	-	-	-	92,909	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,909</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>36</u>	<u>909</u>	<u>71,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,773</u>	<u>288</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	30,502	40,559	760	19,738	5,878	11,541	45,732	-	6,830
	<u>30,502</u>	<u>40,559</u>	<u>760</u>	<u>19,738</u>	<u>5,878</u>	<u>11,541</u>	<u>45,732</u>	<u>-</u>	<u>6,830</u>
TOTAL FUND BALANCE	<u>30,502</u>	<u>40,559</u>	<u>760</u>	<u>19,738</u>	<u>5,878</u>	<u>11,541</u>	<u>45,732</u>	<u>-</u>	<u>6,830</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 30,502</u>	<u>\$ 40,595</u>	<u>\$ 1,669</u>	<u>\$ 91,044</u>	<u>\$ 5,878</u>	<u>\$ 11,541</u>	<u>\$ 45,732</u>	<u>\$ 95,773</u>	<u>\$ 7,118</u>

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

Special Revenue Funds									
	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
<u>ASSETS</u>									
Cash	\$ 152,023	\$ 924	\$ 15,484	\$ 1,676	\$ 2,000	\$ -	\$ 62,051	\$ 1,919	\$ 1,732
Accounts receivable	162,144	944	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	11,518	30,780	-
Due from other governmental units	61	-	-	-	-	9,063	-	2,887	-
Prepaid expenses	4,551	-	-	-	-	1,418	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 318,779</u>	<u>\$ 1,868</u>	<u>\$ 15,484</u>	<u>\$ 1,676</u>	<u>\$ 2,000</u>	<u>\$ 10,481</u>	<u>\$ 73,569</u>	<u>\$ 35,586</u>	<u>\$ 1,732</u>
<u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 3,921	\$ -	\$ -	\$ -	\$ -	\$ 559	\$ -	\$ 34,503	\$ -
Checks written in excess of deposits	-	-	-	-	-	8,691	-	-	-
Accrued expenses	2,748	-	-	-	-	1,231	-	-	-
Due to other governmental funds	-	-	-	-	-	-	33,000	-	-
Deferred revenue	162,144	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>168,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,481</u>	<u>33,000</u>	<u>34,503</u>	<u>-</u>
Fund Balance:									
Reserved	149,966	-	-	-	-	-	-	-	-
Unreserved	-	1,868	15,484	1,676	2,000	-	40,569	1,083	1,732
<b>TOTAL FUND BALANCE</b>	<u>149,966</u>	<u>1,868</u>	<u>15,484</u>	<u>1,676</u>	<u>2,000</u>	<u>-</u>	<u>40,569</u>	<u>1,083</u>	<u>1,732</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 318,779</u>	<u>\$ 1,868</u>	<u>\$ 15,484</u>	<u>\$ 1,676</u>	<u>\$ 2,000</u>	<u>\$ 10,481</u>	<u>\$ 73,569</u>	<u>\$ 35,586</u>	<u>\$ 1,732</u>

**KALKASKA COUNTY  
COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	Special Revenue Funds			Capital Project Funds				
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	Total Nonmajor Funds
<u>ASSETS</u>								
Cash	\$ 1,083	\$ 61,845	\$ 1,324,589	\$ 14,238	\$ 96,456	\$ 4,225	\$ 114,919	\$ 1,439,508
Accounts receivable	-	162,144	545,624	-	145	-	145	545,769
Due from other funds	-	-	-	-	-	-	-	-
Due from State	-	7,092	49,390	-	-	-	-	49,390
Due from other governmental units	-	61	47,995	-	-	-	-	47,995
Prepaid expenses	-	-	35,009	-	-	-	-	35,009
 TOTAL ASSETS	 <u>\$ 1,083</u>	 <u>\$ 231,142</u>	 <u>\$ 2,002,607</u>	 <u>\$ 14,238</u>	 <u>\$ 96,601</u>	 <u>\$ 4,225</u>	 <u>\$ 115,064</u>	 <u>\$ 2,117,671</u>
 <u>LIABILITIES &amp; FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 71,895	\$ -	\$ -	\$ -	\$ -	\$ 71,895
Checks written in excess of deposits	-	-	20,422	-	-	-	-	20,422
Accrued expenses	-	-	13,317	-	-	-	-	13,317
Due to other funds	-	-	-	225,000	-	-	225,000	225,000
Due to other governmental funds	-	-	33,000	-	-	-	-	33,000
Deferred revenue	-	162,144	486,983	-	-	-	-	486,983
 TOTAL LIABILITIES	 <u>-</u>	 <u>162,144</u>	 <u>625,617</u>	 <u>225,000</u>	 <u>-</u>	 <u>-</u>	 <u>225,000</u>	 <u>850,617</u>
Fund Balance:								
Reserved	-	68,998	383,160	-	-	-	-	383,160
Unreserved	1,083	-	993,830	(210,762)	96,601	4,225	(109,936)	883,894
 TOTAL FUND BALANCE	 <u>1,083</u>	 <u>68,998</u>	 <u>1,376,990</u>	 <u>(210,762)</u>	 <u>96,601</u>	 <u>4,225</u>	 <u>(109,936)</u>	 <u>1,267,054</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 1,083</u>	 <u>\$ 231,142</u>	 <u>\$ 2,002,607</u>	 <u>\$ 14,238</u>	 <u>\$ 96,601</u>	 <u>\$ 4,225</u>	 <u>\$ 115,064</u>	 <u>\$ 2,117,671</u>



**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	42,116	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	83,095
Other governmental revenue	-	-	-	-	-	-	5,951	-	-
Charges for services	-	-	1,667	82	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	15,900	24,364	-	-	-	-	-
Other	2,500	-	-	-	-	-	-	3,414	-
TOTAL REVENUES	2,500	42,116	17,567	24,446	-	-	5,951	3,414	83,095
EXPENDITURES:									
Judicial	-	-	-	-	-	-	23,887	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	42,116	-	-	-	57	-	-	84,926
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	34,254	29,100	-	-	-	-	-
TOTAL EXPENDITURES	-	42,116	34,254	29,100	-	57	23,887	-	84,926
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,500	-	(16,687)	(4,654)	-	(57)	(17,936)	3,414	(1,831)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	50,000	16,479	8,790	-	-	6,000	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	50,000	16,479	8,790	-	-	6,000	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,500	50,000	(208)	4,136	-	(57)	(11,936)	3,414	(1,831)
FUND BALANCE, beginning	1,219	819	209	4,756	2,585	3,505	12,841	27,798	5,450
FUND BALANCE, ending	\$ 3,719	\$ 50,819	\$ 1	\$ 8,892	\$ 2,585	\$ 3,448	\$ 905	\$ 31,212	\$ 3,619

**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Special Revenue Funds

	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	79,529	-	18,853	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	14,793	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	-	34,991	-	-
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,330	-	-	-	-
<b>TOTAL REVENUES</b>	<b>79,529</b>	<b>14,793</b>	<b>18,853</b>	<b>-</b>	<b>2,330</b>	<b>-</b>	<b>34,991</b>	<b>-</b>	<b>-</b>
EXPENDITURES:									
Judicial	-	-	-	-	-	-	66,054	-	-
General government	-	14,110	-	-	-	-	-	6,435	-
Public safety	76,922	-	18,853	-	-	-	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>76,922</b>	<b>14,110</b>	<b>18,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,054</b>	<b>6,435</b>	<b>-</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>2,607</b>	<b>683</b>	<b>-</b>	<b>-</b>	<b>2,330</b>	<b>-</b>	<b>(31,063)</b>	<b>(6,435)</b>	<b>-</b>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	18,000	10,000	15,000	2,736	10,000	-
Operating transfers (out)	-	-	-	-	-	-	-	-	(29)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>10,000</b>	<b>15,000</b>	<b>2,736</b>	<b>10,000</b>	<b>(29)</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<b>2,607</b>	<b>683</b>	<b>-</b>	<b>18,000</b>	<b>12,330</b>	<b>15,000</b>	<b>(28,327)</b>	<b>3,565</b>	<b>(29)</b>
FUND BALANCE, beginning	-	4,818	-	-	40,078	21,474	28,328	48,592	29
FUND BALANCE, ending	<u>\$ 2,607</u>	<u>\$ 5,501</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 52,408</u>	<u>\$ 36,474</u>	<u>\$ 1</u>	<u>\$ 52,157</u>	<u>\$ -</u>

**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	327,344	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	94,149	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	440,224	-	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	-	-	17,936	179	-	-	-
Other	-	-	-	-	-	-	-	37,201	-
<b>TOTAL REVENUES</b>	<b>327,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,936</b>	<b>534,552</b>	<b>-</b>	<b>37,201</b>	<b>-</b>
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	1,645	2,103	2,277	-	-	-	35,086	-
Public safety	313,660	-	-	-	-	430,583	2,116	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>313,660</b>	<b>1,645</b>	<b>2,103</b>	<b>2,277</b>	<b>-</b>	<b>430,583</b>	<b>2,116</b>	<b>35,086</b>	<b>-</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>13,684</b>	<b>(1,645)</b>	<b>(2,103)</b>	<b>(2,277)</b>	<b>17,936</b>	<b>103,969</b>	<b>(2,116)</b>	<b>2,115</b>	<b>-</b>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	9,526	-	10,000	-	19,841	-	-	-
Operating transfers (out)	-	-	-	-	(2,736)	(69,841)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>9,526</b>	<b>-</b>	<b>10,000</b>	<b>(2,736)</b>	<b>(50,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<b>13,684</b>	<b>7,881</b>	<b>(2,103)</b>	<b>7,723</b>	<b>15,200</b>	<b>53,969</b>	<b>(2,116)</b>	<b>2,115</b>	<b>-</b>
FUND BALANCE, beginning	<b>82,083</b>	<b>40,639</b>	<b>2,500</b>	<b>6,546</b>	<b>44,038</b>	<b>13,555</b>	<b>5,294</b>	<b>16,547</b>	<b>351,088</b>
FUND BALANCE, ending	<b>\$ 95,767</b>	<b>\$ 48,520</b>	<b>\$ 397</b>	<b>\$ 14,269</b>	<b>\$ 59,238</b>	<b>\$ 67,524</b>	<b>\$ 3,178</b>	<b>\$ 18,662</b>	<b>\$ 351,088</b>

**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ 64,555	\$ -	\$ -	\$ -	\$ 86,578	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	35,659	-	-	-
Other governmental revenue	-	-	5,525	-	-	-	-	-	-
Charges for services	-	-	-	16,255	4,300	-	20,283	16,500	-
Fines & forfeits	-	-	-	-	-	-	-	-	2,700
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	4,492	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>5,525</b>	<b>80,810</b>	<b>4,300</b>	<b>35,659</b>	<b>20,283</b>	<b>107,570</b>	<b>2,700</b>
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	8,739
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	8,028	107,570	-
Health & welfare	-	27,737	5,230	78,152	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>27,737</b>	<b>5,230</b>	<b>78,152</b>	<b>-</b>	<b>-</b>	<b>8,028</b>	<b>107,570</b>	<b>8,739</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(27,737)	295	2,658	4,300	35,659	12,255	-	(6,039)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	10,000	30,000	-	-	-	-	-	-	5,000
Operating transfers (out)	-	-	-	-	-	(32,798)	(18,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>10,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,798)</b>	<b>(18,000)</b>	<b>-</b>	<b>5,000</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	10,000	2,263	295	2,658	4,300	2,861	(5,745)	-	(1,039)
FUND BALANCE, beginning	20,502	38,296	465	17,080	1,578	8,680	51,477	-	7,869
FUND BALANCE, ending	<u>\$ 30,502</u>	<u>\$ 40,559</u>	<u>\$ 760</u>	<u>\$ 19,738</u>	<u>\$ 5,878</u>	<u>\$ 11,541</u>	<u>\$ 45,732</u>	<u>\$ -</u>	<u>\$ 6,830</u>

**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Special Revenue Funds

	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
REVENUES:									
Taxes	\$ 151,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	10,195	-
State grants	18,630	-	-	-	-	-	215,018	238,015	-
Other governmental revenue	-	-	-	-	-	78,621	-	15,000	-
Charges for services	11,533	13,711	5,212	-	-	-	-	-	-
Fines & forfeits	155,927	-	-	-	-	-	-	-	-
Interest & rents	3,095	-	-	-	-	-	-	-	-
Other	882	-	-	1,676	-	-	-	-	2,098
<b>TOTAL REVENUES</b>	<b>341,199</b>	<b>13,711</b>	<b>5,212</b>	<b>1,676</b>	<b>-</b>	<b>78,621</b>	<b>215,018</b>	<b>263,210</b>	<b>2,098</b>
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	4,035	-	-	92,239	-	-	-
Health & welfare	-	4,323	-	-	-	-	207,489	401,116	1,786
Recreational & cultural	268,394	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>268,394</b>	<b>4,323</b>	<b>4,035</b>	<b>-</b>	<b>-</b>	<b>92,239</b>	<b>207,489</b>	<b>401,116</b>	<b>1,786</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>72,805</b>	<b>9,388</b>	<b>1,177</b>	<b>1,676</b>	<b>-</b>	<b>(13,618)</b>	<b>7,529</b>	<b>(137,906)</b>	<b>312</b>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	13,605	-	135,240	-
Operating transfers (out)	-	(8,000)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>(8,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,605</b>	<b>-</b>	<b>135,240</b>	<b>-</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<b>72,805</b>	<b>1,388</b>	<b>1,177</b>	<b>1,676</b>	<b>-</b>	<b>(13)</b>	<b>7,529</b>	<b>(2,666)</b>	<b>312</b>
FUND BALANCE, beginning	<b>77,161</b>	<b>480</b>	<b>14,307</b>	<b>-</b>	<b>2,000</b>	<b>13</b>	<b>33,040</b>	<b>3,749</b>	<b>1,420</b>
FUND BALANCE, ending	<b>\$ 149,966</b>	<b>\$ 1,868</b>	<b>\$ 15,484</b>	<b>\$ 1,676</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 40,569</b>	<b>\$ 1,083</b>	<b>\$ 1,732</b>

**KALKASKA COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Funds
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	
REVENUES:								
Taxes	\$ -	\$ 151,116	\$ 453,381	\$ -	\$ -	\$ -	\$ -	\$ 453,381
License and permits	-	-	327,344	-	-	-	-	327,344
Federal grants	-	79,730	230,423	-	-	-	-	230,423
State grants	-	49,500	734,066	-	-	-	-	734,066
Other governmental revenue	1,960	-	107,057	-	-	-	-	107,057
Charges for services	-	109,843	654,403	-	-	-	-	654,403
Fines & forfeits	-	-	193,618	-	-	-	-	193,618
Interest & rents	-	-	61,474	-	1,904	26	1,930	63,404
Other	-	126,215	180,808	39,691	-	-	39,691	220,499
TOTAL REVENUES	1,960	516,404	2,942,574	39,691	1,904	26	41,621	2,984,195
EXPENDITURES:								
Judicial	-	-	98,680	-	-	-	-	98,680
General government	-	-	61,656	17,325	-	-	17,325	78,981
Public safety	-	-	1,181,105	-	-	-	-	1,181,105
Health & welfare	1,142	537,360	1,264,335	-	-	-	-	1,264,335
Recreational & cultural	-	-	331,748	-	4,700	-	4,700	336,448
TOTAL EXPENDITURES	1,142	537,360	2,937,524	17,325	4,700	-	22,025	2,959,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	818	(20,956)	5,050	22,366	(2,796)	26	19,596	24,646
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	-	370,217	-	-	-	-	370,217
Operating transfers (out)	-	-	(131,404)	-	-	-	-	(131,404)
TOTAL OTHER FINANCING SOURCES	-	-	238,813	-	-	-	-	238,813
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	818	(20,956)	243,863	22,366	(2,796)	26	19,596	263,459
FUND BALANCE, beginning	265	89,954	1,133,127	(233,128)	99,397	4,199	(129,532)	1,003,595
FUND BALANCE, ending	\$ 1,083	\$ 68,998	\$ 1,376,990	\$ (210,762)	\$ 96,601	\$ 4,225	\$ (109,936)	\$ 1,267,054



Honorable Chairman and Members  
of the Board of Commissioners  
Kalkaska County  
Kalkaska, Michigan

In planning and performing our audit for the financial statements of Kalkaska County for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Kalkaska County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

### **Kaliseum Internal Control**

During a review of internal controls for the Kaliseum we noted the following items:

#### **Ice Time Sales**

During our audit procedures, it was discovered that there is no accurate process of documenting ice time sales and many of the sales were given at a discounted rate. Due to this discounted rate given to different organizations there was no accurate way of determining what revenue should have been collected. The ice sales information was often incomplete when given to the cashiers leaving them unaware of the proper charge to a specific organization.

It is recommended that anytime a discount is given to an individual or organization, documentation is recorded stating the purpose for such a discount, as well as the amount collected from the organization/individual. It is also recommended that in the documentation, the Kaliseum state why the organization is warranted a discount, i.e. vending sales should increase based on the number of individuals

### Management Comment Letter

participating which will account for the discount in price charged for ice time. Also, the invoicing system for ice time sales needs to be improved. The County may want to start with an ice time sales quote, then when approved by the organization, an invoice is generated and retained in a file until paid. Then there is a record for each contract sale of ice time.

### Vending Machine Sales

During our audit procedures, it was discovered that there is no accurate tracking of vending machine sales. It was also discovered that the vending machine was being used to make change when needed by the concession stands.

It is recommended that vending machine sales be recorded at a minimum on a weekly basis. When the vending machine is refilled and money removed from the machine, a reconciliation of number of items stocked in the machine and money removed from the machine needs to be maintained. If each time the machine is stocked an ending inventory is taken, you can then predict the amount of sales that occurred and compare that to the actual cash removed. Also, an inventory of stock, not in the machine needs to be completed.

All cash received from the vending machine must be deposited through the cash register as part of the daily activities for the balancing day. The vending machine should not be used to make change. The Manager of the Kaliseum should maintain an adequate supply change.

### Cash Register Usage

During our audit procedures, it was discovered that more than one cashier was using the cash drawer at the same time throughout the day. Due to several individuals using the cash drawer, each cashier is not held solely responsible for any differences noted when balancing the cash drawer at the end of the day. It was also discovered that there are numerous voided transactions occurring on a daily basis.

It is recommended that cashier's are held responsible for any differences occurring throughout the day or when balancing occurs. The Kaliseum should maintain a worksheet showing the differences in balancing for each individual on a daily basis. Management should review this worksheet on a monthly basis to determine if there are any patterns in cashiers being short or continuously off. It is also recommended that cashiers maintain a log of all voided transactions that occur during their shift. For any reason cash is to be refunded to a customer, the Kaliseum should adopt a policy of requiring a form to be filled out stating the reason for refund, and the refund be recorded on the cash register instead of a single note, which is currently used.

### Cash Receipting

During our audit procedures, it was discovered that all sales and cash receipts are not being receipted through the cash register. Many of the ice time sales and other sales, i.e. dances, were being added to the deposits, but not being run through the cash register. It was noted that occasionally deposits with County Treasurer were higher than amounts recorded on the cash register due to additional deposit amounts not being run through the register.

It is recommended that all transactions be run through the cash register to maintain an accurate record of all payments received through the Kaliseum. As stated before, ice time sales and vending machine sales are instances of types of deposits not being recorded through the cash register. Daily deposits should mirror what the end of day cash register report (Z-out) shows for the daily activity.



We also noted the following reportable conditions that we do not consider to be material weaknesses.

Housing Fund

During a review of construction files, it was noted that the required supporting documentation was incomplete or missing. Of concern, the procedures for construction contract bidding lacked documentation supporting the bid amount on the non-winning bids. In the future this information needs to be retained in the construction file. Since year end the County has contracted with an individual to update construction files.

Investment Policy

Governmental Accounting Standards Board has issued Statement #40, *Deposit and Investment Risk Disclosures*, which was effective for the December 31, 2005 annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk.

Although GASB 40 does not specifically require an Investment Policy, governmental units will certainly want to consider adopting an updated policy. You will need to disclose in your annual audit footnotes:

- the government's investment policy for any specific type of risk to which the district is exposed, or
- the fact that your district has no investment policy that addresses the specific type of risk to which the district is exposed.

The County is generally conservative minded when investing its excess deposits, but a policy which defines that risk level of the district will protect its investments.

Post retirement health insurance

The County provides health insurance to certain retirees. The Governmental Accounting Standards Board has just issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Under the provisions of the standard, employers would need to recognize the cost of those benefits provided to retirees in the period earned. This standard is to be implemented in three phases. The starting phase for the County would be for the year ended December 31, 2009.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the administration and is not intended to be and should not be sued by anyone other than these specified parties.